

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 L-03 LAB-04 NSAE-00 NSC-05

PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01 TRSE-00

PRS-01 SP-02 FEAE-00 OMB-01 SSO-00 NSCE-00 INRE-00

USIE-00 /084 W

----- 042360

O 191835Z SEP 75 ZFF-4

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 0037

UNCLAS MEXICO 8231

FOR HARVEY WINTER (EB/CBA/BP)

E.O. 11652: N/A

TAGS: ETRD, MX

SUBJ: QUOTA FOR AMERICAN WINES

REF: MEXICO 5714; LABRIE-KOHN TELCON

EMBASSY HAS HAD SEVERAL FOLLOW-UP SESSIONS WITH THE OFFICE OF  
UNDER SECRETARY OF COMMERCE MENDOZA BERRUETO SUBSEQUENT TO  
PRESENTATION OF FORMAL REQUEST FOR US. WINE QUOTA ON JUNE 24.  
GOM HAS NOT YET REPLIED FORMALLY TO REQUEST BUT EMBASSY BELIEVES,  
ON THE BASIS OF CONVERSATIONS WITH GOM OFFICIALS INVOLVED, THAT  
IT IS LIKELY US WILL BE AUTHORIZED WINE QUOTA FOR CY 1976. GOM  
DECISION DELAYED AND COMPLICATED BY FOLLOWING FACTORS: (1)  
NEW ACROSS THE BOARD AUSTERITY IMPORT RESTRICTIONS WERE IMPOSED  
JULY 14 (SEE MEXICO 6258); (2) GOM HAS NOT ISSUED IMPORT  
PERMITS FOR ANY ALCOHOLIC BEVERAGE OR WINE IN SECOND HALF CY  
1975; (3) DIRECTOR GENERAL OF COMMERCE ANTONIO CALDERON AND  
SEVERAL SUBORDINATES WERE FORCED TO RESIGN IN JULY REPORTEDLY  
FOR ACCEPTING BRIBES AND NEW DIRECTOR GENERAL HAS BEEN  
SLOW IN PREPARING ADVISORY OPINION ON US WINE QUOTA FOR  
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UNDER SECRETARY, DESPITE ABOVE, EMBASSY CONTINUES TO PRESS

FOR AFFIRMATIVE ACTION.

2. EMBOFF VISITED SAN FRANCISCO IN JULY AND DESCRIBED EMBASSY'S EFFORTS TO WINE INSTITUTE. SUBSEQUENT TO VISIT INSTITUTE CIRCULARIZED ITS MEMBERSHIP INVITING INTERESTED PRODUCERS TO CONTACT EMBASSY FOR ASSISTANCE IN LOCATING SUITABLE IMPORTERS/DISTRIBUTORS. RESPONSE HAS BEEN HEAVY. TO DATE EMBASSY HAS BEEN CONTACTED BY FOLLOWING FIRMS:

PAPAGNI VINEYARDS (MADERA)  
FLEISCHMANN DISTILLING CORP (WEIBEL CHAMPAGNE VINEYARDS)  
(REDWOOD VALLEY)

CHAPPELLET VINEYARD (ST. HELENA)  
HANNS KORNELL CHAMPAGNE (ST. HELENA)  
PARDUCCI WINE CELLARS (UKIAH)  
GUILD WINERIES AND DISTILLERIES (SAN FRANCISCO)  
ALMADEN VINEYARDS (SANTA CLARA)  
STERLING VINEYARDS (NAPA VALLEY)  
CRESTA BLANCA WINERY (LIVERMORE)  
BARGETTO WINERY (SANTA CRUZ)  
FROMM & SICHEL (THE CHRISTIAN BROTHERS)  
THE MONTEREY VINEYARD (GONZALEZ)  
FRANZIA BROTHERS WINERY (RIPON)  
GAYSER PEAK WINERY (GEYSERVILLE)  
SCHRAMSBERG (CALISTOGA)  
SAN MARTIN VINEYARDS (SAN MARTIN)  
BUENA VISTA WINERY (SONOMA)

3. AS IT NORMALLY TAKES FOUR TO FIVE MONTHS TO OBTAIN APPROVAL FROM SECRETARIAT OF HEALTH FOR NEW-TO-MARKET ALCOHOLIC BEVERAGES AND WINES AND TO REGISTER WITH TREASURY FOR TAX PURPOSES, EMBASSY BELIEVES IT ADVISEABLE FOR US PRODUCERS TO PROCEED IMMEDIATELY WITH SELECTION OF MEXICAN IMPORTERS/ DISTRIBUTORS SO THAT LATTER CAN INITIATE NECESSARY PRELIMINARY PROCEDURES. BY BEGINNING NOW AND ASSUMING GOM WILL GRANT QUOTA EFFECTIVE JANUARY 1, 1976. US EXPORTERS WILL BE READY TO SHIP IMMEDIATELY AND NOT LOSE ADDITIONAL FOUR OR FIVE MONTHS WITH MEXICAN RED- TAPE.

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4. WHILE EMBASSY REQUESTED INITIAL QUOTA OF 40,000 CASES, GOM MAY VERY WELL AUTHORIZE AMOUNT SUBSTANTIALLY LESS FOR FIRST YEAR OR SO. WE FORESEE SOME PROBLEMS WHICH COULD EASILY HAMPER EFFECTIVE INTRODUCTION OF US WINES ON SMALL AND COMPETITIVE MEXICA MARKET. SHOULD ALL US. PRODUCERS LISTED IN PARA 2 AS WELL AS OTHER WINERIES THAT HAVE NOT REQUESTED EMBASSY ASSISTANCE ACTUALLY DECIDE TO EXPORT TO MEXICO, SHARE OF TOTAL QUOTA THAT COULD BE EQUITABLY

ALLOCATED TO ANY ONE IMPORTER WOULD BE SO MINISCULE AS TO NEGATE INCENTIVE TO CARRY OUT EFFECTIVE MARKET PROMOTION. MOREOVER, IT IS IMPORTANT THAT SOME MEANS BE DEVISED TO ENSURE THAT DURING FIRST YEAR OR TWO OF INTRODUCTION OF US WINES TO MEXICAN MARKET LIMITED QUOTA BE ALLOCATED TO BETTER QUALITY PRODUCERS.(SEE PARA 6 REFTEL) INTRODUCTION OF POOR QUALITY INEXPENSIVE BRANDS AT EARLY STAGE COULD CAUSE IRREPARABLE DAMAGE TO IMAGE AMERICAN WINES VIS-A-VIS WINES IMPORTES FROM OTHER COUNTRIES AND BY BEING TO CLOSE IN PRICE TO DOMESTIC BRANDS COULD CAUSE ALARM IN MEXICAN WINE INDUSTRY LEADING TO RESCINDING OR RESTRICTION OF QUOTA. UNDER SECRETARY ROBINSON MAY WISH TO RAISE THESE IMPORTANT QUESTIONS WITH ARTHUR H. SILVERMAN DURING THEIR SCHEDULED MEETING.

5. EMBASSY WILL CONTINUE TO PRESS GOM ON QUOTA AND REPORT ANY NEW DEVELOPMENTS TO DEPARTMENT. MEANWHILE EMBASSY WILL CONTINUE TO ASSIST US PRODUCERS IN LOCATING MOST REPUTABLE AND EFFECTIVE MEXICAN DISTRIBUTORS OF WINES AND SPIRITS. WOULD APPRECIATE WASHINGTON GUIDANCE ON HOW TO HANDLE PROBLEMS RAISED PARA 4.

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